

Message Text

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ACTION PM-07

INFO OCT-01 EUR-25 ISO-00 NEA-14 SSO-00 NSCE-00 USIE-00

INRE-00 CIAE-00 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 ACDA-19 TRSE-00 SAJ-01

OMB-01 EB-11 AID-20 MC-02 COME-00 DRC-01 /154 W

----- 128391

O 121530Z JUN 74

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC NIACT IMMEDIATE 3751

INFO SECDEF

USCINCEUR

CNO

C O N F I D E N T I A L ATHENS 3660

E.O. 11652: GDS

TAGS: MARR, GR, US

SUBJECT: FMS CREDITS FOR GREECE - AIRCRAFT PURCHASES

REFS: (A) STATE 123901; (B) STATE 123801

DEPARTMENT PLEASE PASS TO TREASURY

1. DOD NEGOTIATORS ACCOMPANIED BY JUSMAGG REPS AND EMBASSY
POL/MIL OFFICER MET WITH SHAFc AND HAFc NEGOTIATORS JUNE 11
AND 12. FIRST TWO DAYS NEGOTIATIONS FINISHED TECHNICAL
DISCUSSION RE LETTER OF OFFER ON A-7, T-2, AND C-130
AIRCRAFT. HAFc NOW SATISFIED AND READY TO SIGN LETTERS
OF OFFER ON A-7 AND T-2 AIRCRAFT IMMEDIATELY AND THAT ON
C-130'S VERY SHORTLY. FINAL DECISION ON NUMBER OF C-130'S
TO BE ACQUIRED STILL NOT TAKEN BY HAFc. HAFc ACCEPTED
REDUCTION TO 10 PERCENT R&D CHARGE. ALTHOUGH HAFc STILL
SOUGHT REDUCTION OF 2 PERCENT ADMINISTRATIVE CHARGE, IT
RELUCTANTLY ACCEPTED NECESSITY OF RETENTION AT 2 PERCENT LEVEL.

2. EXTRA \$10 MILLION FMS USG-GUARANTEED FINANCING FOR
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FY 74 (REF B) OFFERED AND SHAFc UNDERTOOK TO RESPOND RE

ACCEPTEANCE OR NON-ACCEPTEANCE BY JUNE 13.

3. IN COURSE OF JUNE 12 NEGOTIATIONS, SHAFc NEGOTIATORS TABLED DRAFTS OF PROPOSED LETTER FROM AMBASSADOR TO MINISTER OF DEFENSE AND "JOINT DOD/SHAFc STATEMENT," THRUST OF WHICH WOULD GO CONSIDERABLY BEYOND STATEMENT EMBODIED IN AIDE MEMOIRE (PARA 2 REF A). DOD NEGOTIATORS AND EMBASSY PROPOSE TO UTILIZE AIDE MEMOIRE AS LETTER FROM AMBASSADOR TO MINISTER OF DEFENSE TO SATISFY GREEK REQUEST FOR STATEMENT OF USG INTENTIONS RE FINANCIAL ASSISTANCE AND TO INDICATE THAT NO FURTHER UNDERTAKING, SUCH AS "JOINT DOD/SHAFc STATEMENT," FEASIBLE.

4. DRAFT AIDE MEMOIRE, HOWEVER, FOCUSES ONLY ON A-7 SALE. SINCE GREEKS INTEND, WITHIN LIMITS OF USG FINANCING POSSIBILITIES, TO USE FUNDS FOR ALL THREE AIRCRAFT ACQUISITION PROGRAMS, THEY HAVE URGED OUR CONSIDERATION TO HAVE FINANCING APPLY TO ALL THESE PURCHASES. THIS WOULD FACILITATE USE OF AVAILABLE FUNDS TO MAKE PROGRESS PAYMENTS ON ALL THREE PROGRAMS AS THEY COME DUE. WE THEREFORE PROPOSE TO INCORPORATE IN LANGUAGE OF LETTER (AIDE MEMOIRE) LANGUAGE TO PERMIT THIS, AS FOLLOWS: QUOTE IN RECOGNITION OF YOUR GOVERNMENT'S REQUIREMENT TO HAVE A REASONABLE ASSURANCE OF FINANCING WITH EXISTING LEGISLATIVE CONSTRAINTS TO SUPPORT ITS PURCHASE OF A-7, T-2 AND C-130 AIRCRAFT, THE UNITED STATES GOVERNMENT UNDERTAKES TO PROVIDE FMS CREDITS OR GUARANTEES IN FY 1975, NOT TO EXCEED 71 MILLION DOLLARS. THIS AMOUNT IS SUBJECT TO THE ENACTMENT BY THE US CONGRESS OF THE NECESSARY APPROPRIATION, THE CONTINUANCE OF LEGISLATIVE AUTHORITY, AND UNFORESEEN GLOBAL CONTINGENCIES. IN SUBSEQUENT YEARS, WE SHALL ENDEAVOR TO MAKE FMS CREDITS AND/OR GUARANTEES AVAILABLE TO GREECE FOR THIS PURPOSE. END QUOTE

5. IN COURSE OF NEGOTIATION, FACT THAT USE OF CREDIT LEVELS FORESEEN FOR AIRCRAFT ACQUISITIONS WOULD EXHAUST VIRTUALLY, IF NOT, ALL FMS AVAILABILITIES FOR NEXT FOUR FISCAL YEARS HAS BEEN AND WILL CONTINUE TO BE MADE CLEAR. THUS, PURCHASES OF SHIPS, ARMY EQUIPMENT, ETC. WOULD NECESSITATE GOG RECOURSE TO COMMERCIAL FINANCING.

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6. IN VIEW OF JUNE 15 EXPIRATION DATES OF LETTER OF OFFER FOR A-7 AND T-2 AIRCRAFT, EMBASSY AND DOD NEGOTIATORS WOULD APPRECIATE RESPONSE ON FOREGOING BY OPENING OF BUSINESS (ATHENS TIME) JUNE 14.
TASCA

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